



MCI Telecommunications
Corporation
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November 14, 1994

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: CC Docket No. 92-296: Simplification of the Depreciation
Prescription Process

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Comments in the above-captioned proceeding.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Elizabeth Dickerson
Manager, Federal Regulatory

Enclosure
ED/ms

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20054

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

Simplification of the
Depreciation Prescription
Process

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CC Docket No. 92-296

COMMENTS

MCI Telecommunications Corporation ("MCI") hereby submits its comments in response to the Further Order Inviting Comments released by the Commission on October 11, 1994, in the above-captioned proceeding.¹ In the Order, the Commission proposes ranges of projection life and future net salvage factors for eight of the twelve remaining plant accounts for which it has not previously adopted ranges. This Order represents the second step in the Commission's implementation of the streamlined depreciation prescription methodology it adopted in the original Report and Order in this docket.²

MCI continues to support the Commission's adoption of the Basic Factor Range Option for simplification of depreciation because it permits the Commission to retain an appropriate degree of oversight over the depreciation represcription process with which it has been statutorily charged, while allowing

¹ Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Further Order Inviting Comments, Released October 11, 1994 ("Order").

² Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Report and Order, 8 FCC Rcd 8025 (1993).

the local exchange carriers ("LECs") to benefit from administrative simplicity, conservation of resources, and greater flexibility.³ Specifically, it allows carriers to submit streamlined data when requesting a new depreciation range. Further, it allows carriers to seek to change basic factors on an annual schedule, as opposed to the current and more restrictive triennial basis.⁴

In the instant proceeding, the Commission has designated eight accounts for which carriers seeking depreciation rates that fall within the specified ranges may avail themselves of the new, streamlined procedures. It has declined to adopt ranges for the four remaining accounts. Of those four, three accounts⁵ contain investment in obsolete technology, and the Commission correctly concludes that there is no need to simplify or estimate their forecasted lives. The Commission also declines to establish a set of ranges for Account 2121, Buildings. Although it is not clear from the record that the cost to standardize LEC subcategorization of building investment is "substantial," the Commission indicates it will review whether it is appropriate to establish ranges for this account at the time of its three-year review range review.⁶ MCI continues to believe that LECs can achieve maximum benefit only once the Commission has established ranges for all capital accounts and

³ 8 FCC Rcd 8025, 8054.

⁴ Id.

⁵ These accounts are Account 2212, Analog Electronic Switching, Account 2215, Electro-mechanical Switching, and Account 2431, Aerial Wire.

⁶ Order, at para. 7.

encourages the Commission to require LECs to classify building investment in a standardized manner at that time.

Further, MCI believes that the ranges the Commission has proposed for these eight accounts are reasonable, and the Commission should adopt them without any modification. The Commission appears to have employed the same methodology for establishing the ranges that it did for the first twenty-two accounts. That methodology correctly produces a range that is not so narrow as a single standard deviation, yet is not so broad that all carriers' current factors will fall inside the range. This methodology appropriately grants additional flexibility to those carriers who have lead the industry in network investment by adopting more aggressive plant modernization plans. If the Commission were to adopt ranges that were too wide, the value of this critical investment/reward incentive would be eliminated altogether.⁷

⁷ Both price cap and rate-of-return regulated carriers benefit from higher depreciation expenses. The price cap carriers, by depressing their earnings levels (and potentially forestalling or eliminating a sharing obligation); and the rate-of-return carriers, by increasing their rate bases.

In summary, the ranges that the Commission has proposed are reasonable and should be adopted because both the ranges and the current depreciation methodology appropriately reward carrier modernization efforts. Further, the Commission should be commended for continuing implementation of a plan that provides a reasonable level of increased flexibility and simplicity.

Respectfully submitted,
MCI TELECOMMUNICATIONS
CORPORATION


A handwritten signature in black ink that reads "Elizabeth Dickerson". The signature is written in a cursive, flowing style.

Elizabeth Dickerson
Manager, Federal Regulatory
1801 Pennsylvania Avenue, NW
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(202) 887-3821

November 14, 1994

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on November 14, 1994.

A handwritten signature in cursive script, reading "Elizabeth Dickerson", written over a horizontal line.

Elizabeth Dickerson
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CERTIFICATE OF SERVICE

I, Barbara Nowlin, do hereby certify that on this 14th day of November, 1994, copies of the foregoing MCI petition for reconsideration CC Docket 92-296 were served by first-class mail, postage prepaid, unless otherwise indicated to the parties on the attached list.

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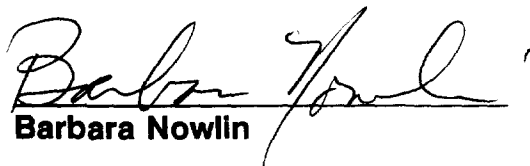
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